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Message Text

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53
ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-09 L-03

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SUBJECT: FOREIGN TRADE SECRETARY HADZIC OUTLINES CURRENT
YUGOSLAV FOREIGN ECONOMIC POSITION

1. SUMMARY. IN SPECIAL INTERVIEW WITH SEMI- OFFICIAL NEWS AGENCY TANJUG GOY FOREIGN TRADE SECRETARY MUHAMED HADZIC PROVIDED USEFUL PICTURE OF YUGOSLAVIA' S CURRENT STANCE IN FOREIGN ECONOMIC RELATIONS IN MID- MARCH 1973, AGAINST BACKGROUND OF WOURLD MONETARY CRISIS AND TWO YEARS AFTER INCEPTION OF GOY' S ECONOMIC STABILIZATION PROGRAM. END SUMMARY.

2. MAIN POINTS OF HADZIC REVIEW:

(A) BALANCE OF PAYMENTS BEST EVER - BALANCE OF PAYMENTS ON CURRENT ACCOUNT FOR 1972 WAS APPROXIMATELY $300 MILLION, FOREIGN EXCHANGE RESERVES $860 MILLION, MAKING 1972 MOST SUCCESSFUL YEAR FOR YUGOSLAVIA SINCE WORLD WAR II. GOY NOW CONFIDENT THAT IT CAN BEGIN GRADUAL EXPANSION OF IMPORT LIBERALIZATION PROGRAM, AND IS NO LONGER COMPELLED TO ACCEPT INTERNATIONA CREDITS ON UNFAVORABLE TERMS.

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(B) WORLD MONETARY CIRSIS POSES PROBLEMS - IN PAST YEARS FAILURE OF PROMPT GOVERNMENT ACTION TO ADJUST DINAR PARITY TO DOMESTIC AND FOREIGN PRICE MOVEMENTS HAS INJURED ECONOMY. IT IS URGENT THAT DURING CURRENT MONETARY FLUCTUATIONS, YUGOSLAV TIES WITH FOREIGN PARTNERS BE KEPT IN ORDER. ALSO IMPERATIVE THAT COMPETITIVE POSITION IN TRADE AND TOURISM BE MAINTAINED. THUS RECENT DEVALUATION OF DINAR FULLY JUSTIFIED.

(C) IMPACT OF RECENT DEVALUATIONS - SEVERAL BRANCHES OF YUGOSLAV ECONOMY NOW FACE SERIOUS DIFFICULTIES AS RESULT OF UNEVEN CHANGES IN EXCHANGE RATE VALUE OF MAJOR WORLD CURRENCIES. CONSEQUENCES FOR YUGOSLAV FIRMS HARD TO ASSESS, BUT CHANGE IN DINAR PARITY WILL DEFINITELY HELP EXPORTS AND TOURISM.

(D) INCREASED ATTENTION TO ECONOMIC RELATIONS WITH LDCS - IN WAKE OF RECENT DECLINE IN YUGOSLAV TRADE WITH DEVELOPING COUNTRIES, SPECIAL GOVERNMENTAL COMMITTEE IS ANALYZING PROBLEM, WILL SOON COME UP WITH REPORT PROPOSING NEW INCEN- TIVES TO PUSH YUGOSLAV INDUSTRY INTO GREATER ECONOMIC COOPERA- TION WITH THIS AREA. BOY SERIOUSLY CONCERNED, FEELS TRADE WITH THESE COUNTRIES POLITICALLY IMPORTANT, IN ADDITION TO ECONOMIC CONSIDERATIONS INVOLVED.

(E) TRADE WITH COMMUNIST AREA MOVING UPWARD - AT PRESENT SOCIALIST COUNTRIES ACCOUNT FOR 30 PERCENT GOY FOREIGN TRADE, AND VOLUME EXPECTED TO RISE. RATE OF INCREASE IS HIGHER THAN RATE OF INCREASE FOR ALL FOREIGN TRADE. IMPORTANT THAT YUGOSLV- CEMA ECONOMIC RELATIONS EXPAND BEYOND TRADE INTO AREA OF INDUSTRIAL COOPERATION AGREEMENTS. THIS BEING FACILITATED BY RECENT CREDIT AGREEMENTS WHCIH PROVIDE FOR INVESTMENTS IN ENERGY, PRIMARY PRODUCTS. POSSI- BILITIES FOR FURTHER COOPERATION REMAIN OPEN.

(F) NEW AGREEMENT WITH EEC ANTICIPATES ENLARGEMENT, FURTHER TRADE - NEW NON- PREFERENTIAL AGREEMENT WITH EUROPEAN COMMUNITY, LARGEST GOY TRADING PARTNER, WILL CONTAIN EVOOLUTION CLAUSE TO COVER EXPANDED MEMBERSHIP AND POSSIBLE INCREASED MARKETING OF NUMBER OF YUGOSLAV GOODS NOW RESTRICTED, E. G. WINE, CORN, TEXTILES. SALE OF MEAT AND OTHER PRODUCTS TO UK MUST BE REVIEWED IN VIEW OF BRITAIN' S UNCLASSIFIED

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CHANGED STATUS.

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